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EDITORIAL

FROM THE

✓ New Orleans Picayune of July 6, 1905.
Oct 15 0Government Control of Railroads.

The Chicago Record-Herald, in its issue of July 3, prints an editorial article on the Esch-Townsend bill to establish in the hands of the Federal Government the power to regulate and fix railroad freight rates.

The bill in question passed the House of Representatives in the last Congress, but failed in the Senate. It is still a subject of interesting discussion, and the Record-Herald invites debate in connection with a proposition of its own. Two principal objections to the bill are stated by the Record-Herald, thus:

"First—The broad objection to the exercise of the rate-making function by any governmental agency.

"Second—The more specific objection that injustice is done the railroads in that the bill proposes that the rate fixed by the Commission shall go into effect after thirty days, although the courts may subsequently declare it unreasonable or confiscatory."

The Record-Herald accepts the right of the National Government to regulate and control railway rates. The only matter which troubles that journal in this connection is whether the rate fixed by the Commission shall go into operation authoritatively before it can be questioned by the courts, or whether it

shall remain in abeyance until finally settled by the judicial authority. The Record-Herald proposes to remove all objections by the following, which it tenders:

"In the event that a rate is declared unreasonable or unjustly discriminating by the Interstate Commerce Commission and a new rate substituted, the new rate shall go into effect thirty days thereafter, unless the railroad or railroads affected appeals to the Court of Transportation, in which event the shipper or passenger shall pay at the old rate until the decision of the Commission is finally sustained, but—

"The railroad collecting the freight charge or selling the passenger ticket shall issue a receipt declaring that a stated amount (being the difference between the rate charged and that fixed by the Interstate Commerce Commission) is in dispute in the courts, and that if the Commission is sustained the amount stated will be refunded.

"The railroad is thereupon to place this money in escrow in prescribed depositories, and file with the Interstate Commerce Commission at frequent intervals detailed statements of the persons (and amounts to whom such receipts have been issued.

"In the event that the rate of the Commission shall be upheld by the Court, the amount in escrow, together with accrued interest, shall be repaid to the shipper or passenger, and if the rate of the railroad shall be upheld the amount, with accrued interest, shall be paid to the railroad."

This arrangement for what it is proposed seems entirely acceptable. But it is not a proposition which the Picayune is ready to discuss. The Picayune does not admit the wisdom and equity of Federal control of railroads. It does not favor Federal ownership, and, therefore, it does not accept any assumption of Federal power to control or fix freight rates.

Under existing laws every act of the Interstate Commerce Commission is subject to attack and revision by the courts before it possesses any authority or finality, and it happened that the courts have largely undone the rulings of the Commission; but under the proposed law the Commission would

possess full authority to perform many acts which could not be attacked by the courts.

The real issue in the entire matter is as to the wisdom of giving to the Federal Government the right to fix prices for any service or any article of commerce. Grant it in the case of railroad freights, and it follows in the matter of wages and prices of necessities. There is no line of demarkation. It is impossible to make any distinctions. If the Government can regulate the prices of railroad transportation it can do the same with the prices of steel, sugar and any and every other article of use produced by a trust, and so it can with the wages of the laborers who work for the trusts and corporations.

From this it is seen that a vast domain of discussion as to the exercise of power by the Federal Government is opened up, expanding as we pass through it until it embraces the entire subject of national paternal socialism. But there is another consideration in the making of rates which is very important, and briefly it is as follows:

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A Government commission authorized to make railway rates would, it is assumed, adopt the weight-mile basis, and for every equal distance for equal weights of freight the rate for carrying would be the same. For example, allowing that the distance from Chicago to New York and to New Orleans is equally 900 miles, it would result that a carload of grain carried to New York or to New Orleans from Chicago would be charged for at the same amount, and no attention would be paid to the fact that the route to New York is over two mountain ranges, while that to New Orleans is down a gentle grade and that a given power can draw two cars to New Orleans, whereas it could draw only one to New York. If the National Commission or Board should fail to recognize this feature in the situation, it would either charge the shipper to New Orleans too much, or it would force the railroad carrying to New York to work for a rate unreasonably low.

These, in brief, are the reasons why the Picayune does not favor Federal control of railroad rates, and they are offered in connection with the request of the Record-Herald, although they are scarcely pertinent.

Washington Correspondent of the New Orleans Picayune.

Reference to the Hearings Before the Interstate Commerce Committee of the Senate.

(Published July 6, 1905.)

How the Proposed Regulation of Railroad Rates May Affect New Orleans.

PICAYUNE BUREAU,
Post Building,
Washington, D. C., July 5, 1905.

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RAILWAY RATES.

The recent hearing before the Senate Committee on Interstate Commerce brought out the fact that New Orleans and the other Gulf ports have a peculiar interest in the proposition to confer upon the Interstate Commerce Commission the power to make freight rates and fix differentials between the ports. It was developed that complaints that rates are too high per se were limited to very few cases, for the adjustment of which the present laws are ample. Most of the complaints that were brought to the attention of the Committee on which the demand that the Interstate Commerce Commission be given power to make rates is based are complaints that rates that are reasonable in themselves are unjust to certain localities which are either not so favorably situated geographically or which are served by railroads that are less enterprising than are those leading to the localities complained of. In other words, the demand is that

the Interstate Commerce Commission shall be given power to fix differentials, and to say to what extent a given locality is to enjoy its natural advantages or profit by the enterprise of its citizens and its railroads.

There are no localities in the United States more vitally interested in this proposition than are New Orleans and the other Gulf ports. It is not an exaggeration to say that the prosperity, if not the very existence of these ports as gateways of foreign commerce, is dependent upon the maintenance of equitable differentials between them and the North Atlantic ports. If these differentials can better be maintained by giving the Interstate Commerce Commission the power to fix them, it is to the interest of the Gulf ports to favor the proposed legislation. If they can best be maintained by relying on the railroads and on the desire of the railroad managers to increase their traffic and build up the territory tributary to them, it is to the interest of the Gulf ports to oppose giving to any Governmental agency the control over freight rates.

Taking New Orleans and New York as examples, the reasons why a substantial differential on export traffic in favor of New Orleans is justified and required are apparent. On the one hand there are certain disadvantages at New Orleans that must be overcome. These include the longer ocean voyage from New Orleans, the comparative irregularity of steamer sailings, and the river navigation from the city to the gulf. On the other hand, New Orleans has one great advantage that justifies the railroads leading to it from the great grain-producing section of the country in making lower rates than can be made by the roads leading to the North Atlantic ports, and that is the absence of heavy grades which add enormously to the cost of operating the roads across the Allegheny Mountains. In the expressive language of Mr. James J. Hill:

"You can kick a barrel of flour at Minneapolis, and it will roll to New Orleans."

In overcoming the disadvantages of the gulf ports and by taking advantage of their lack of heavy grades the railroads to New Orleans and the other gulf ports have established differentials that are giving to the gulf a fair share of the export trade of the country, and a constantly increasing share of the import trade. In order to force the recognition of this differential by the eastbound roads they have at times been compelled to engage in rate wars that have left little compensation for the carriers, but that have benefited the producers in the grain-growing States, and have contributed to the building up of the terminal cities on the gulf. All of this has not been done by the southbound roads through motives of philanthropy. They have been governed by selfish motives—by their desire to increase their tonnage, and, therefore, their earnings, and by the desire to build up their terminals and all of the localities on their lines for the reason that increased prosperity at the terminals and all along the lines means increased tonnage and increased revenue.

The latest official statistics of imports and exports—those for the eleven months ending May 31, this year—show the degree of success which the roads leading to New Orleans are attaining in their efforts to build up the grain export business through that port. Owing to the shortage of the wheat crop last year, the exports of wheat from the United States during the eleven months amounted to practically nothing, and the grain movement was confined almost entirely to corn. The statistics show that the total shipments of corn through New Orleans for the eleven months amounted to 18,715,102 bushels, or over 22 per cent of the total exports of corn from the United States. For the corresponding period last year the exports of corn from New Orleans amounted to 4,105,836 bushels, or less than 8 per cent of the total for the entire country. In other words the exports of corn through New Orleans for the eleven months ending May, this year, were 355 per cent greater than during the corresponding months last year.

If New Orleans and the other Gulf ports are to compete successfully with the North Atlantic ports for the export business of the country, ships coming from Europe for cargoes of grain must be able to carry cargoes of merchandise in this direction and obtain favorable rates from the ports to the consuming centers in the interior. This has been appreciated by the railroads, and that they have not hesitated to make rates that would bring imports to the Gulf was shown by testimony before the Senate Committee. One instance cited was that of a rate made on plate glass from New Orleans to Chicago by the Illinois Central Railroad that is as low as rates on similar glass from Pittsburg to Chicago. This rate has been made the subject of a complaint to the Interstate Commerce Commission by the Pittsburg glass manufacturers, and the case is now pending before the Commission, but, in the meantime, it is contributing to the building up of New Orleans as a gateway for foreign commerce.

Inasmuch as the interests of the railways and of the Gulf ports in maintaining adequate differentials against the North Atlantic ports are identical, it may well be questioned whether the ports would fare as well if the making of rates should be taken out of the hands of the roads and the Interstate Commerce Commission should be authorized to determine what the differentials between the ports should be. In the matter of the import rates on plate glass now pending before the Commission, it is doubtful if any order that might be made would be enforced by the courts as the law now stands, but the tone of some members of the Commission in commenting on it before the Senate Committee indicates that if the Commission had the power to do so it would put a stop to this particular step in the building up of the import trade of New Orleans. Commissioner Clements declared that it had never seemed to him to be a reasonable adjustment. There are also remarks in the testimony of the Commissioners that indicate a belief that the roads leading to the Gulf ports have at times made rates for the transportation



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of grain so low as to have justified interference by the Commission.

Railroad rates and differentials to the various ports of the United States are now the result of the free competition of the ports and of the carriers serving them. If the making of rates and the fixing of differentials should be turned over to the Interstate Commerce Commission, or any other governmental agency, that agency would necessarily have to adopt some fixed rule that would limit competition. The adoption of such a system would be equivalent to saying to New Orleans and the gulf ports, and to the railways leading to them: "Thus far shall you enjoy the advantages of your geographical location and of your enterprise, but here you shall stop. You must not put rates so low as to cut into the business of the North Atlantic ports, or hamper the roads leading to them, with their heavy mountain grades and indirect routes."